



1963 ANNUAL REPORT

Silverwood Dairies, Limited

60th

ANNIVERSARY

1903-1963

Silverwood Dairies, Limited

1963

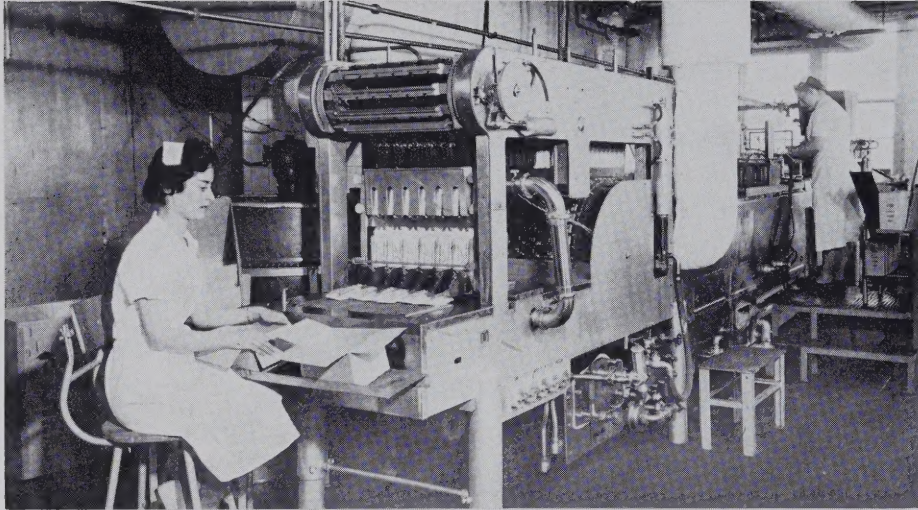
ANNUAL REPORT

for the year ended March 31, 1963

Our Sixtieth Year

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This VitaLine Machine, installed in London Branch in 1961 (the first in Canada) has made it possible to add a wider variety of stick bars to our ice cream lines. A similar machine (the second in Canada) was placed in our Peterborough Plant later the same year.

Various coated bars, without sticks, are made on a Polarmatic machine, (not illustrated) combined with automatic wrapping and sealing equipment.

A total of 181 individual ice cream varieties are now produced in our London Plant and are available throughout our Organization.





Silverwood's DAIRY PRODUCTS

Fluid Milk Division

Safe Milk Homo Milk
Jersey Milk Vita-Homo
Dari-Rich Buttermilk
Table Cream Whipping Cream
Breakfast Treat Yami Yogurt
Creamed Cottage Cheese

Salad (Sour) Cream Orange Juice
Apple Juice Lemonade
Beep for Breakfast

Commodity Division

Handimilk CreaMilk
"First Grade" Creamery Butter
(salted and unsalted)

"Bakerlac" Skim-milk Powder (Spray Process)
"Rollac" Skim-milk Powder (Roller Process)
Whole Milk Powder (Roller Process)
Sweetened Condensed Whole Milk
Sweetened Condensed Skim-milk
Powdered Buttermilk
Eggs—Shell (Graded)

Ice Cream Division

Pint Packages
Deluxe Brick
Meadow Gold Brick
Special Ice Cream
½ Gallon Packages
DeLuxe
Meadow Gold

Bulk, 2½ Gallon, All Flavours
Deluxe Roll, Individual
Five Cent Novelties
Chocolate Coated Ice Cream Bar
Fudgsicle Popsicle Icicle
Sundae Cup Choc-O-Nut
Dixie Cup Ice Cream Pie
Fruit Sundae Roll

Ten Cent Novelties
Chocolate Coated Ice Cream Bar
Chocolate Coated Malted Ice Cream Bar
Chocolate Coated Cherry Ice Cream Bar
Sidewalk Sundaes

Individual Creations Fruit Sherbet

Ice Cream Cake Roll
Pure Juice Sticks
Multi-Pak Novelties

Ice Milk

Vanilla, Strawberry, Chocolate

Silverwood Dairies, Limited

ANNUAL REPORT 1963

Head Office

75 Bathurst Street, London, Ontario.

Board of Directors

E. G. SILVERWOOD Chairman	N. E. KAYE
J. A. CAULDER	M. R. McCREA
R. A. DALY	E. B. NELLES
T. L. DAVIES	E. A. PAULGER
J. H. GILLIES	R. G. PEAT
L. R. GRAY	H. G. STAPELLS, Q.C.
R. G. IVEY, Q.C.	J. ALLYN TAYLOR

Officers

E. G. SILVERWOOD Chairman of the Board	M. R. McCREA Managing Director
J. H. GILLIES President	L. R. GRAY Secretary-Treasurer

GEORGE BLAKE
Executive Assistant

Executive Committee

J. H. GILLIES, Chairman	L. R. GRAY, Secretary
E. G. SILVERWOOD	N. E. KAYE
M. R. McCREA	GEORGE BLAKE
H. T. SPETTIGUE	

Transfer Agent and Registrar

THE CANADA TRUST COMPANY, TORONTO

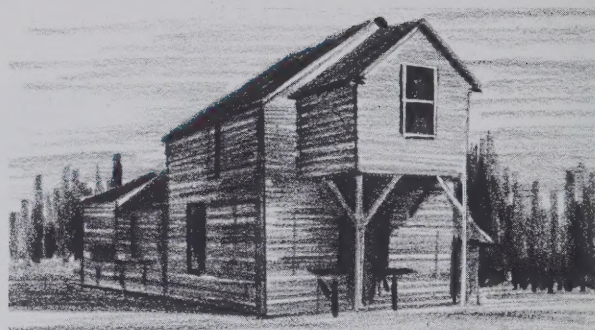
Auditors

CLARKSON GORDON & CO. Chartered Accountants

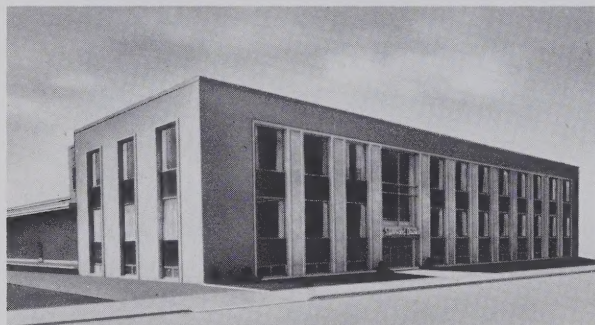
SILVERWOOD BRANCHES *Past and Present*



The 1903 London home of Flavelles Limited, 564 Bathurst Street, the birthplace of Silverwood Dairies, Limited.



The original home of Edmonton City Dairy, established in 1906, which became a part of the Silverwood organization in 1945.



This building houses London Branch milk plant and office, as well as the Head Office of the organization.



Edmonton Branch today occupies the several buildings shown above, and continues to grow.



East Toronto Branch—opened in 1960.



West Toronto Branch—opened in 1956.

Plant locations

ONTARIO

BRACEBRIDGE
BRANTFORD
CALEDONIA
CARGILL
CHATHAM
ELMIRA
HAMILTON

KITCHENER

LINDSAY
LONDON
LUCKNOW
NORTH BAY
OTTAWA
PETERBOROUGH
ST. CATHARINES

ST. THOMAS

SARNIA
SAULT STE. MARIE
STRATFORD
SUDBURY
TORONTO
WINDSOR
WOODSTOCK

MANITOBA

WINNIPEG
BRANDON

SASKATCHEWAN

REGINA

ALBERTA

EDMONTON

FINANCIAL HIGHLIGHTS

for the Year Ended March 31

	1963	% ON SALES	1962	% ON SALES
SALES	\$48,017,229.	100.0	\$45,642,340.	100.0
NET PROFIT PER CLASS "A" AND CLASS "B" SHARE ISSUED AT MARCH 31	\$ 1,400,910. \$1.14	2.9	\$ 1,333,628. \$1.12	2.9
DIVIDENDS PAID RATE PER CLASS "A" AND CLASS "B" SHARE	\$ 735,464. \$.60	1.5	\$ 695,704. \$.60	1.5
EARNINGS RETAINED IN BUSINESS FOR YEAR	\$ 665,446.	1.4	\$ 637,924.	1.4
EARNINGS REINVESTED IN BUSINESS TO DATE	\$ 7,677,218.		\$ 7,011,772.	
SHARES OUTSTANDING CLASS "A" CLASS "B"	790,626 441,212		752,477 441,212	
BONDS AND DEBENTURES OUTSTANDING	\$ 1,839,500.		\$ 2,549,000.	
DEPRECIATION	\$ 1,260,383.		\$ 1,181,031.	
WORKING CAPITAL	\$ 3,963,821.		\$ 3,614,882.	

60th

ANNIVERSARY

Sixty years ago this April, Albert Edward Silverwood, a young man of 27, arrived in London to open a new business venture, a buying depot for his company Flavelles Limited, Lindsay produce dealers. This was not his first visit to London. Some years earlier he had passed through this district on his bicycle, heading for the bicycle races at Sarnia and Petrolia. He admired the countryside and was particularly pleased with the city of London, deciding to return there at the first opportunity. We don't know what his day-dreams pictured for him, but they could not have matched the actual events of his later life.

On other pages we have recorded in chronological order some of the highlights of sixty years in the organization which started so humbly in 1903. Here we want to take a broader look at the accomplishments of those sixty years.

The small produce branch with its original employee has developed into Canada's largest Canadian-owned dairy business, with branches in four provinces employing some 2500 people. Its one horse and wagon of 1903 grew in time to several hundred, then gradually decreased until today only twenty horses remain. The rest have been gradually replaced with over 1200 trucks of specialized shapes and designs for the particular work they are to do for the milk or ice cream departments.

Eggs and poultry, once the entire Silverwood business, now are almost forgotten items, far down in the list of Silverwood's sales departments. Buying depots, once scattered throughout south-western Ontario, have now almost completely disappeared as business practices have changed. Butter, added to the Silverwood line of merchandise in 1911, rose to a peak years ago but in recent years production has declined slightly

as the smaller creameries have been turned to more profitable uses.

Silverwood pasteurized milk, introduced into London homes in 1922, now is delivered five days a week to over 260,000 Canadian homes in many cities, towns and villages and is available in thousands of grocery stores and specialty outlets. Now only the old-timers can recall 1903 or somewhat later when the only milk available (unpasteurized of course) was brought by horse and wagon from farm to home in milk cans with a tin measure hanging over the spout. Each housewife supplied her own pitcher which was filled from the farmer's milk can.

In 1914, when Silverwoods made their first batch of ice cream, each can of ice cream would be carefully packed in tubs filled with ice and salt for delivery to stores throughout London. Seven wagons were needed to deliver the city's requirements. Stores and restaurants along Dundas Street were served by the "circus wagon" a well-named massive affair drawn by a team of heavy horses. In time delivery became less cumbersome as in the stores ice tubs were replaced with ice cream cabinets which used ice and salt as refrigerants. Still later brine slugs, frozen in the Silverwood plant, were rushed out to dealers' cabinets to be replaced frequently with freshly frozen slugs. Always among the first to adopt new ideas Silverwoods introduced electric ice cream cabinets about 1925.

As branches were added in other cities ice cream mix was at first shipped to them from London where it was made from fresh milk and cream by the vacuum pan method. The mix was then made into ice cream at each branch in small batch freezers. Later, in the interest of uniformity and quality of product, it was decided to concentrate ice

cream production in very few plants with the latest instant freezing equipment. At present we manufacture only in London and Peterborough in Ontario, but on account of distances each western Canada branch makes its own ice cream.

The earliest Silverwood branches were started when small local dairies, operated by individuals or groups of farmers approached Mr. Silverwood with an offer to sell. Frequently business was poor and financing was a problem for the owners. Usually a local company was formed with local capital and local directors but with Mr. Silverwood's guidance. His knowledge of the dairy and produce business and the introduction of up to date methods and equipment turned almost all of these ventures into prosperous operations. In 1928 Silverwood's Dairies, Limited was formed as a holding company to co-ordinate all these scattered dairies. Shareholders were given shares in the holding company in place of the individual dairy, giving greater security to all. Then in 1936 a reorganization of the company took place wherein the charters of the various companies were surrendered and all units became branches of the new company, Silverwood Dairies, Limited.

Since that time the progress of the company has been steady and rapid. Many more companies have been absorbed in the Silverwood business. The largest of these was Dairy Corporation of Canada with its branches in three western provinces. This

company was merged with Silverwoods on a share for share basis, and brought into the organization dairies with a long record of excellent service, the oldest being Edmonton City Dairy which dates back to 1906.

Other branches have since been added and in several cities our business has grown through the purchase of milk routes from competitors who wished to retire from business. Our greatest growth, however, has been through the steady increase in customers who appreciate the high quality of Silverwood products and service.

Over most of Silverwood's sixty years Mr. A. E. Silverwood, the founder, was its guiding light. His powerful leadership extended his confidence and optimism to all around him even in times of difficulty. He chose his executives wisely, over the years, and most of the senior executives of the company today have been with the company over thirty years and have played a part in its progressive development. Mr. Silverwood always felt that a firm's most important asset was its employees, and in consequence the company's policy of promotion from within the organization has built a strong and loyal team at all levels of responsibility.

The spectacular growth of Silverwoods over the years is illustrated in the table below. Until 1931 no consolidated figures were available so we are showing only the progress of the last thirty of our sixty years. We are confident that each future year will extend this impressive record.

RECORD OF GROWTH

Year Ended	Sales	Net Profits after Tax	Taxes	Reinvested Earnings (Cumulative)
1933	\$ 6,186,715	\$ 173,943	\$ 37,315	\$ 1,507
1938	7,210,404	87,993	17,502	183,763
1943	10,404,459	172,335	265,000	296,340
1948	29,678,524	690,577	607,000	628,065
1953	35,064,313	978,854	1,042,000	1,512,722
1958	40,276,928	1,271,081	1,165,000	4,453,398
1963	48,017,229	1,400,910	1,513,000	7,677,218

TO OUR SHAREHOLDERS

London, Canada, May 8, 1963

The 60th fiscal year of your company was one of continued progress, highlighted by a number of new records which attest to the company's growth and financial stability. **SALES:** Amounted to \$48,017,229 (1962—\$45,642,340), an improvement of \$2,374,889 or 5%. This was the eighth consecutive year in which dollar volume of sales reached a new peak.

On May 1, 1962, the Federal government introduced a 12¢ per pound subsidy on butter with the effect that the selling price to the consumer was reduced to this extent. The purpose, of course, was to stimulate butter consumption in the hope of slowing up the tremendous stockpiling of the product in the government's hands. Following this action, your company's unit butter sales increased by 10.8%. However, due to the aforementioned reduction in selling price, the dollar value of butter sold was actually \$350,000 less than the previous year.

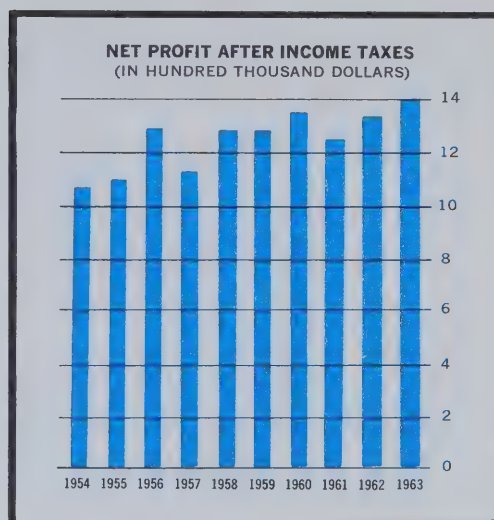
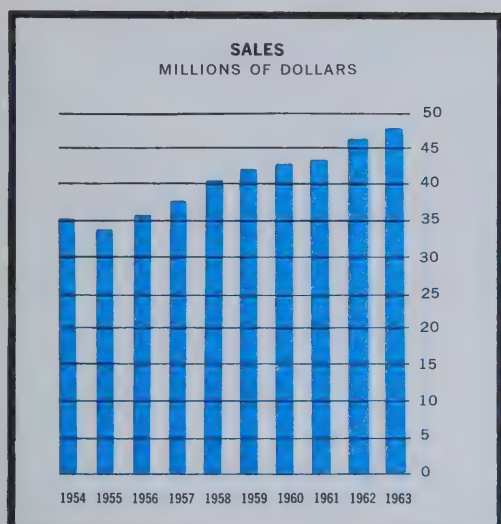
Seventy per cent of the company's total sales of all products was merchandised from our large fleet of retail and wholesale delivery vehicles operating from twenty milk processing plants in eighteen markets. We again established record sales in fluid milk units in spite of extremely keen competitive conditions. Our 7% unit increase was in large part due to the purchase of Paulger's Blantyre Dairy Limited, Toronto, on October 11, 1961, and Mason's Dairy Products Limited, St. Catharines, Ontario, on March 28, 1962. However, all but four of our twenty plants showed increased unit sales. Among the highlights that might be

mentioned is the continuing annual increase in cottage cheese sales—up 15% over the previous year; we had a small unit increase in orange juice sales, in spite of higher costs in the last three months due to the freeze in Florida; orange juice sales were supplemented by the sale of fruit drinks last summer and by the introduction of "Beep" last winter—a mixed fruit drink which had a remarkable acceptance. Sale of the dietary product MinVitine was greatly curtailed, as the public appeared to lose interest in this type of dieting. The sale of eggs from milk routes was extended to more of our markets and close to 500,000 dozen were sold from our routes.

Like milk, unit sales of ice cream were also at a record high. This is in spite of the fact that the weather during last July, August and September was unseasonably cool, resulting in a considerable drop in sales during this important quarter of our year, as compared with the previous year.

EARNINGS: Consolidated net profit after taxes was \$1,400,910 (1962—\$1,333,628), an improvement of \$67,282 and an all-time high.

It is apparent that in spite of substantial annual increases in unit and dollar sales, it is very difficult to increase our earnings above their present level. As a result, our earnings per dollar of sales in recent years have fallen considerably below the 3.5% mark reached in 1956. The reason for this situation is quite evident. We are constantly absorbing higher labour and other costs and only increased efficiency in operation



has enabled us to do as well as we have, since selling prices have not kept pace with these ever-rising costs. Late in the year there was an adjustment in one market only in milk prices. In practically all markets the last price increase was in the fall of 1959. Early in the present fiscal year (April and May, 1963) milk prices are being increased by approximately a cent a quart in a number of Ontario markets. In the year under review our net return per unit on both milk and ice cream was again slightly reduced. We would not have maintained a profit of 2.9¢ per dollar of sales for the third consecutive year had it not been for the following:

a sales incentive tax reduction of	\$32,948
increased profit from the sale	
of unused properties	18,843
increased profit on bond	
redemptions	21,515
Total	\$73,306

These items, therefore, more than account for the improvement in our net profit this year as compared to last.

THE PRESENT SUGAR SITUATION: Your company uses over five million pounds of sugar annually. As this is written, the price of

sugar has doubled since one year ago. If present prices are maintained our cost of sugar in the current fiscal year would be approximately \$350,000 higher than in the period prior to the increases. This is a distinct possibility as there appears to be no assurance at this time that sugar prices will drop. They might in fact continue to rise.

FIXED ASSETS: The gross book value of capital assets is \$23,702,921 (\$22,494,017). Accumulated depreciation is \$12,308,295 (\$11,402,376) being 52% of the gross book value of depreciable assets.

Net capital expenditures during the year amounted to \$1,563,368 (\$1,617,452). Two days before this letter was written we moved into our new distributing depot in Sudbury. We expect to be underway shortly on construction of a modern milk processing plant in Windsor. As this new plant is expected to cost in the neighbourhood of \$600,000, our capital expenditures in the new fiscal year will be considerably higher than last year.

WORKING CAPITAL: Consolidated working capital (current assets less current liabilities) totals \$3,963,821 (\$3,614,882), an increase of \$348,939 and a new year-end high.

This is partially due to the increase in "Accumulated Tax Reductions" as explained in note 3 to the Consolidated Financial Statements.

DIVIDENDS AND RETAINED EARNINGS (EARNED SURPLUS): Regular 60¢ per share dividends were paid (15¢ quarterly) on the Class "A" and Class "B" shares. Total dividends paid were \$735,464 (\$695,704).

Consolidated earned surplus at March 31, 1963, amounted to \$7,677,218 (\$7,011,772). Your company distributed 52.5% (52.2%) of net earnings as dividends and reinvested 47.5% (47.8%) in the business.

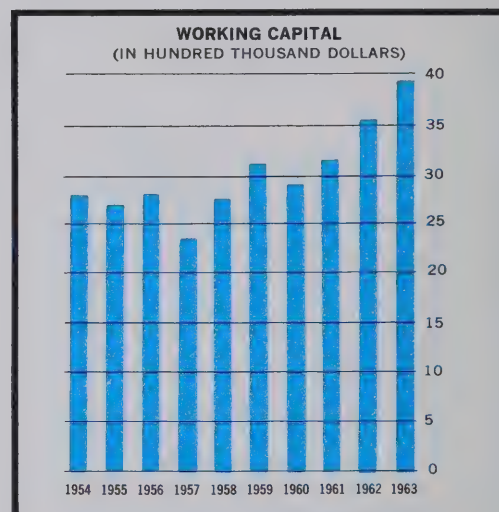
BONDS AND DEBENTURES: Funded debt was reduced by \$709,500 from \$2,549,000 to \$1,839,500. Of this reduction \$264,500 was due to conversion of 5¼% debentures into Class "A" shares. Almost all of these were converted prior to July 2, 1962, at \$11 per share. After that date the conversion price increased to \$12 per share.

CAPITAL STOCK: There were 38,149 Class "A" shares issued during the year in accordance with note 4 to the Consolidated Financial Statements.

The percentage of shareholders' equity to total capital invested is 88% (82.9%) and shareholders' equity per share is \$10.94 (\$10.37), both of which are new highs.

DIRECTORS: We advised in our last Annual Report of the death of Mr. Frank Silcox of Iona, Ontario, on April 28, 1962. He had been a director of our Company since 1944 and had a record of not having missed a single board meeting since 1946. He was internationally known as a Jersey cattle breeder and was a loyal and faithful friend and milk producer of your company.

We welcome to our Board Mr. Norman E. Kaye, Assistant to the Managing Director, Mr. M. R. McCrea.



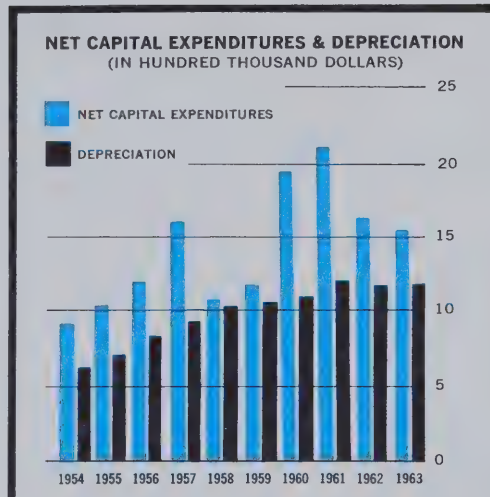
OFFICERS: Mr. Leslie R. Gray, B.A., C.A., F.C.I.S., for fifteen years secretary of the company and having carried the additional responsibility of assistant treasurer for one year, was appointed Secretary-Treasurer. He has 31 years of Silverwood service.

With this appointment, President J. H. Gillies relinquished the post of treasurer which he had held for forty years. We question if such a remarkable length of service as Company treasurer could be duplicated in the annals of Canadian business.

ANNUAL REPORT COMPETITION: Your company has received a Merit Award in the annual report survey and competition conducted by the Financial World of New York for thirteen consecutive years. In this competition, over five thousand reports are judged annually. We are pleased to report that both our 1961 and 1962 reports placed third best in the Dairy Products Industry. We are, of course, competing with companies of much greater size and resources than our own. We will continue to strive to produce a report that will merit your confidence and favour.

OUR DIAMOND JUBILEE: Silverwood Dairies, Limited had its origin, in humble circum-

DISPOSITION OF INCOME		
\$31,016,572	Producers, Suppliers, and Other Expenses	64.6%
\$11,370,604	Wages	23.7%
\$ 1,359,318	Employee Benefits	2.8%
\$ 1,260,383	Depreciation	2.6%
\$ 96,442	Bond Interest	.2%
\$ 1,513,000	Income Taxes	3.2%
\$ 735,464	Dividends	1.5%
\$ 665,446	Retained in Business	1.4%
\$48,017,229	Total Income	100. %



stances, during the first week of April in 1903. To point up our sixtieth anniversary you will find elsewhere in this report a brief history of the business and some highlights of its development in chronological form.

EMPLOYEE AND PUBLIC RELATIONS: Your Directors are most cognizant and appreciative of the loyalty and efficiency of the more than 2,500 men and women comprising the personnel of the Silverwood Organization, the majority of whom are almost daily in contact with either our producers, dealers or customers and who have been carefully selected and trained for their respective responsibilities.

The continued success of your company is only made possible through the friendly business relationships which exist between employees, producers, suppliers, dealers and consumers, combined with the maintenance at all times of the highest standards of quality and service.

We extend a warm welcome to the many new shareholders who became financially interested in our company during the past year.

OUTLOOK: Several unusual situations were created in the dairy industry during the past year, but we confidently feel that with the renewed co-operation of the producers, the Federal and Provincial governments and the processors and distributors, an era of greater prosperity will develop within the industry as a whole—a matter of great importance to the economy of Canada. With ever increasing population, your company stands in a strong position and is well situated to participate in the expanding markets and industrial growth throughout the territories which it serves.

We look forward with great anticipation towards another interesting year of satisfactory progress.

Q. Q. Silverwood
Chairman of the Board



B. H. Davies
President

CONSOLIDATED BALANCE SHEET

(with comparative amounts for 1962)

SILVERWOOD DAIRIES, LIMITED (Incorporated under the laws of Ontario)
and its subsidiary companies

ASSETS

	March 31, 1963	March 31, 1962
CURRENT:		
Cash in banks	\$ 1,695,688	\$ 1,874,484
Short term deposits with banks	800,000	700,000
Bonds of or guaranteed by the Government of Canada and its provinces and municipalities—at cost (market value at March 31, 1963—\$1,854,000)	1,938,272	1,789,647
Accounts receivable—		
Trade accounts (less allowance for doubtful accounts)	1,457,406	1,239,818
Sundry	160,046	82,522
Inventories—at the lower of cost or market value—		
Dairy products	773,282	735,965
Stores and supplies	1,059,282	1,014,824
Prepaid expenses	517,668	493,300
	<u>\$ 8,401,644</u>	<u>\$ 7,930,560</u>
FIXED—substantially at cost:		
Land	\$ 1,017,356	\$ 959,889
Buildings	5,683,573	5,495,650
Machinery and equipment	8,176,518	7,802,110
Merchandising equipment	3,963,914	3,686,564
Delivery equipment	4,861,560	4,549,804
	<u>\$23,702,921</u>	<u>\$22,494,017</u>
Less accumulated depreciation	12,308,295	11,402,376
	<u>\$11,394,626</u>	<u>\$11,091,641</u>
SUNDRY:		
Cash on deposit with trustees for bondholders	\$ 105,450	\$ 31,950
Route lists purchased—at cost less amortization	468,019	634,643
Deferred expenses and sundry assets	162,994	180,306
Discount and expenses in connection with bonds and debentures issued, less amortization	76,334	85,463
	<u>\$ 812,797</u>	<u>\$ 932,362</u>
On behalf of the Board		
		
Director		
		
Director	<u>\$20,609,067</u>	<u>\$19,954,563</u>

STATEMENT OF FINANCIAL POSITION, MARCH 31, 1963

(Consolidated as at March 31, 1962)

LIABILITIES

	March 31, 1963	March 31, 1962
CURRENT:		
Accounts payable—milk and cream producers	\$ 1,622,559	\$ 1,597,008
Other accounts payable and accrued charges	1,663,628	1,616,679
Income and other taxes payable	843,974	823,224
Dividends payable April 1	184,662	178,767
Principal instalments on bonds and sinking fund provisions due within one year	123,000	100,000
	<u>\$ 4,437,823</u>	<u>\$ 4,315,678</u>
BONDS AND DEBENTURES PAYABLE (see note 2):		
First mortgage bonds	\$ 401,000	\$ 519,500
General mortgage bonds	821,000	1,147,500
Debentures	617,500	882,000
	<u>\$ 1,839,500</u>	<u>\$ 2,549,000</u>
Less principal instalments and sinking fund provisions due within one year (included with current liabilities)	123,000	100,000
	<u>\$ 1,716,500</u>	<u>\$ 2,449,000</u>
ACCUMULATED TAX REDUCTIONS applicable to future years (see note 3)	<u>\$ 981,000</u>	<u>\$ 801,000</u>
CAPITAL (see note 4):		
Class "A" common shares of no par value entitled to cumulative prefer- ential dividends of 60¢ per share per annum, payable quarterly and after the Class "B" shares have received 60¢ per share in any one year to further participation rateably with Class "B" shares; entitled in liqui- dation to a priority of \$15 per share—		
Class "B" shares of no par value—		
Authorized	Class "A" 1,000,000 shs.	Class "B" 500,000 shs.
Issued at March 31, 1963	790,626 shs.	441,212 shs.
Consolidated earned surplus (see note 5)	\$ 5,796,526	\$ 5,377,113
	7,677,218	7,011,772
	<u>\$13,473,744</u>	<u>\$12,388,885</u>

The "Notes to the Consolidated Financial Statements" on the following pages should be read together with this statement.

<u>\$20,609,067</u>	<u>\$19,954,563</u>
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STATEMENT OF CONSOLIDATED PROFIT AND LOSS

FOR THE YEAR ENDED MARCH 31, 1963
(with comparative amounts for 1962)

	Year ended March 31, 1963	Per- centage	Year ended March 31, 1962	Per- centage
Sales	\$48,017,229	100.0%	\$45,642,340	100.0%
Less:				
Cost of material and production expense .	\$31,102,624	64.8%	\$29,753,359	65.2%
Selling, administrative and general expense (x)	12,716,228	26.5	11,785,724	25.8
Depreciation	1,260,383	2.6	1,181,031	2.6
	<u>45,079,235</u>	<u>93.9%</u>	<u>42,720,114</u>	<u>93.6%</u>
	\$ 2,937,994	6.1%	\$ 2,922,226	6.4%
Miscellaneous revenue	84,447	.2	99,604	.2
Operating profit	\$ 3,022,441	6.3%	\$ 3,021,830	6.6%
Add:				
Investment income	\$ 107,698	.2%	\$ 69,554	.2%
Profit on sale of sundry fixed assets and investments	33,598	.1	14,755	
Profit on redemption of bonds	25,291		3,776	
	<u>166,587</u>	<u>.3%</u>	<u>88,085</u>	<u>.2%</u>
	\$ 3,189,028	6.6%	\$ 3,109,915	6.8%
Deduct:				
Interest on bonds and debentures	\$ 96,442	.2%	\$ 127,603	.3%
Contribution to employees' pension plan on account of past services	178,676	.3	178,684	.4
	<u>275,118</u>	<u>.5%</u>	<u>306,287</u>	<u>.7%</u>
Net profit before taxes on income	\$ 2,913,910	6.1%	\$ 2,803,628	6.1%
Less taxes on income (see note 3)	1,513,000	3.2	1,470,000	3.2
Net profit for year	<u>\$ 1,400,910</u>	<u>2.9%</u>	<u>\$ 1,333,628</u>	<u>2.9%</u>

(x) Including total remuneration of directors as such: 1963 \$6,000; 1962 \$7,250.

STATEMENT OF CONSOLIDATED EARNED SURPLUS

FOR THE YEAR ENDED MARCH 31, 1963
(with comparative amounts for 1962)

	Year ended March 31, 1963	Year ended March 31, 1962
Balance at beginning of year	\$7,011,772	\$6,373,848
Add consolidated net profit for year	1,400,910	1,333,628
	<u>\$8,412,682</u>	<u>\$7,707,476</u>
Deduct:		
Dividends declared on common shares—		
Class "A" (60¢ per share)	\$ 470,736	\$ 430,976
Class "B" (60¢ per share)	264,728	264,728
	<u>\$ 735,464</u>	<u>\$ 695,704</u>
Balance at end of year	<u>\$7,677,218</u>	<u>\$7,011,772</u>

AUDITORS' REPORT

To the Shareholders of
Silverwood Dairies, Limited.

We have examined the consolidated balance sheet of Silverwood Dairies, Limited and its subsidiaries as at March 31, 1963 and the statements of consolidated profit and loss and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus present fairly the financial position of the companies as at March 31, 1963 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

London, Canada.
May 6, 1963.

CLARKSON, GORDON & CO.
Chartered Accountants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1963

Note 1

All of the subsidiaries of Silverwood Dairies, Limited were non-operating during the year ended March 31, 1963.

Note 2—Bonds and debentures payable

Particulars of the bonds and debentures payable are as follows:

	<u>Original authorization</u>	<u>Outstanding March 31, 1963</u>
First mortgage bonds:		
Issued by Silverwood Dairies, Limited		
Series "A"		
2½% to 3½% serial bonds maturing \$80,000 annually on July 2, 1945 to 1954 inclusive	\$ 800,000	Nil
3¾% to 4% serial bonds maturing \$100,000 annually on July 2, 1955 to 1964 inclusive	<u>1,000,000</u>	<u>\$ 196,000</u>
	<u>\$1,800,000</u>	<u>\$ 196,000</u>
Series "B"		
3% serial bonds maturing \$50,000 annually on January 2, 1955 to 1958 inclusive . .	<u>200,000</u>	<u>Nil</u>
	<u>\$2,000,000</u>	<u>\$ 196,000</u>
Issued by Silverwood Western Dairies, Limited and assumed by Silverwood Dairies, Limited—		
3% serial bonds maturing \$60,000 annually on April 1, 1947 to 1956 inclusive	\$ 600,000	Nil
4% sinking fund bonds due April 1, 1966 (sinking fund payment \$60,000 per annum) .	<u>600,000</u>	<u>\$ 205,000</u>
	<u>\$1,200,000</u>	<u>\$ 205,000</u>
	<u>\$3,200,000</u>	<u>\$ 401,000</u>
4% general mortgage bonds due July 2, 1971 (sinking fund payment \$50,000 per annum until 1964 and \$150,000 thereafter)	<u>\$2,000,000</u>	<u>\$ 821,000</u>
5¼% convertible sinking fund debentures due July 2, 1972 (sinking fund payment \$100,000 per annum)	<u>\$3,000,000</u>	<u>\$ 617,500</u>
		<u>\$1,839,500</u>

Note: All of the authorized bonds and debentures have been issued except for \$1,000,000 of the debentures.

Note 3—Accumulated tax reductions applicable to future years

The income taxes payable in respect of the year amount to \$1,333,000. The difference of \$180,000 between this and the taxes charged to consolidated profit and loss results from the claiming for tax purposes of capital cost allowance in excess of depreciation recorded in the accounts of the companies.

This difference is applicable to those future periods in which the amounts claimed for tax purposes will be less than the depreciation recorded in the accounts and is accordingly included in the item "Accumulated tax reductions applicable to future years" in the attached consolidated balance sheet. This item also includes similar reductions of \$287,000 in 1960 and \$257,000 in each of the years 1961 and 1962.

Note 4—Capital stock

Changes in issued common shares during the year ended March 31, 1963 were as follows:

	<u>Class "A"</u>	<u>Class "B"</u>	<u>Book value</u>
Issued March 31, 1962	752,477 shares	441,212 shares	\$5,377,113
Add issued during year:			
For cash to employees under stock purchase plan.	14,202	Nil	154,746
In exchange for 5¼% debentures with a par value of \$264,500 (note)	<u>23,947</u>	<u>Nil</u>	<u>264,667</u>
Issued March 31, 1963	<u>790,626 shares</u>	<u>441,212 shares</u>	<u>\$5,796,526</u>

Note: In accordance with the terms of the debenture issue, debenture holders contributed an additional \$167 to eliminate fractional shares arising on conversion.

In addition to the capital stock issued at March 31, 1963, additional Class "A" shares were reserved as follows:

(a) for exchange for outstanding 5¼% convertible sinking fund debentures	51,458 shares
(b) for issue to employees under stock purchase plan	2,274 shares
	<u>53,732 shares</u>

Note 5—Restrictions on payment of dividends

Silverwood Dairies, Limited has covenanted in the Trust Indenture securing its convertible sinking fund debentures not to declare or pay any dividends (other than stock dividends) when consolidated net current assets (as therein defined) are less than, or would thereby be reduced to less than \$1,500,000.

Other covenants which limit the payment of dividends but which are considered to be less restrictive in effect have been given or assumed by Silverwood Dairies, Limited under trust deeds securing outstanding bond issues.

STATEMENT OF CONSOLIDATED WORKING CAPITAL FOR THE YEAR ENDED MARCH 31, 1963

During the year there was an increase of \$348,939 in the consolidated working capital as shown below:

	<u>March 31, 1963</u>	<u>March 31, 1962</u>	<u>Increase</u>
Current assets	\$8,401,644	\$7,930,560	\$471,084
Current liabilities	<u>4,437,823</u>	<u>4,315,678</u>	<u>122,145</u>
Working capital (i.e. excess of current assets over current liabilities).	<u>\$3,963,821</u>	<u>\$3,614,882</u>	<u>\$348,939</u>

This increase arose from funds provided in excess of funds expended as follows:

Funds provided:

1. From operations	\$3,004,333
Consisting of:	
Net profit for year.	\$1,400,910
Charges deducted in arriving at the above profit but which did not represent an outlay of funds	
—depreciation and amortization	1,423,423
—portion of the income tax provision for the year not immediately payable (see note 3)	<u>180,000</u>
	<u>\$3,004,333</u>
2. From sales of Class "A" shares	154,746
Total funds provided	<u>\$3,159,079</u>

Funds expended:

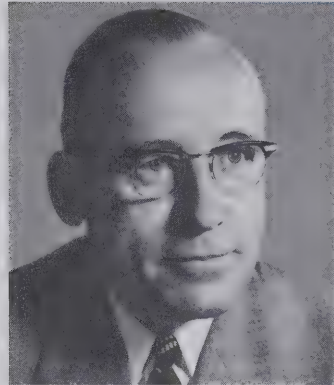
1. On additions to the company's plant and equipment (net)	\$1,563,368
2. To provide for dividends to shareholders	735,464
3. To provide for debt retirement	468,000
4. On increase in sundry assets (net)	<u>43,308</u>
Total funds expended	<u>\$2,810,140</u>
Excess of funds provided over funds expended	<u>\$ 348,939</u>

TEN YEAR COMPARATIVE SUMMARY

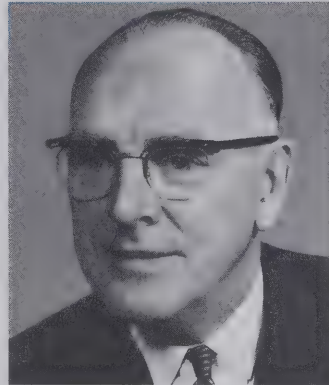
YEAR ENDED MARCH 31	1963	1962	1961	1960
SALES	\$48,017,229	\$45,642,340	\$43,405,231	\$43,141,8
PROFIT BEFORE INCOME TAXES	\$ 2,913,910	\$ 2,803,628	\$ 2,559,031	\$ 2,752,1
PERCENTAGE OF SALES	6.1%	6.1%	5.9%	6.4
INCOME TAXES	\$ 1,513,000	\$ 1,470,000	\$ 1,324,000	\$ 1,416,0
NET PROFIT AFTER INCOME TAXES	\$ 1,400,910	\$ 1,333,628	\$ 1,235,031	\$ 1,336,1
PERCENTAGE ON SALES	2.9%	2.9%	2.9%	3.1
NET PROFIT FOR EACH CLASS "A" and "B" SHARE	\$ 1.14	\$ 1.12	\$ 1.11	\$ 1.1
DIVIDENDS PER CLASS "A" SHARE PER CLASS "B" SHARE	\$ 735,464 .60 .60	\$ 695,704 .60 .60	\$ 666,891 .60 .60	\$ 659,5 .60 .60
EARNINGS RE-INVESTED IN THE BUSINESS PERCENTAGE OF EARNINGS RE-INVESTED	\$ 665,446 47.5%	\$ 637,924 47.8%	\$ 568,140 46%	\$ 676,6 50.6
CAPITAL INVESTED LONG TERM DEBT SHAREHOLDERS' EQUITY	\$ 1,839,500 \$13,473,744 \$15,313,244	\$ 2,549,000 \$12,388,885 \$14,937,885	\$ 2,811,000 \$10,975,516 \$13,786,516	\$ 2,942,0 \$10,268,5 \$13,210,5
PERCENTAGE OF SHAREHOLDERS' EQUITY TO TOTAL INVESTMENT	88%	82.9%	80%	77.7
SHAREHOLDERS' EQUITY PER SHARE	\$ 10.94	\$ 10.37	\$ 9.82	\$ 9.
WORKING CAPITAL	\$ 3,963,821	\$ 3,614,882	\$ 3,218,244	\$ 2,935,3

1959	1958	1957	1956	1955	1954
42,291,091	\$40,276,928	\$37,059,914	\$35,991,661	\$34,516,244	\$35,168,159
2,495,272	\$ 2,436,081	\$ 2,193,142	\$ 2,394,205	\$ 2,236,949	\$ 2,134,128
5.9%	6.1%	5.9%	6.6%	6.5%	6.1%
1,225,000	\$ 1,165,000	\$ 1,030,000	\$ 1,120,000	\$ 1,085,000	\$ 1,059,000
1,270,272	\$ 1,271,081	\$ 1,163,142	\$ 1,274,205	\$ 1,151,949	\$ 1,075,128
3%	3.2%	3.1%	3.5%	3.3%	3.1%
1.17	\$ 1.19	\$ 1.10	\$ 1.23	\$ 1.18	\$ 1.12
647,298 .60 .60	\$ 640,008 .60 .60	\$ 629,991 .60 .60	\$ 605,831 .60 .60	\$ 580,558 .60 .60	\$ 569,625 .60 .60
622,974	\$ 631,073	\$ 533,151	\$ 668,374	\$ 571,391	\$ 505,503
49%	49.6%	45.8%	52.5%	49.6%	47%
3,276,500 9,336,440 12,612,940	\$ 3,623,000 \$ 8,598,621 \$12,221,621	\$ 4,085,000 \$ 7,838,000 \$11,923,000	\$ 4,563,000 \$ 7,044,831 \$11,607,831	\$ 5,205,500 \$ 5,828,015 \$11,033,515	\$ 5,603,000 \$ 5,026,241 \$10,629,241
74%	70.4%	65.7%	60.7%	52.8%	47.3%
8.62	\$ 8.02	\$ 7.40	\$ 6.81	\$ 5.95	\$ 5.25
3,200,067	\$ 2,838,159	\$ 2,443,303	\$ 2,886,646	\$ 2,707,406	\$ 2,845,161

DIRECTORS



E. G. SILVERWOOD*
Chairman of the Board
London



J. H. GILLIES*
President
London



M. R. MCCREA*
Managing Director
London

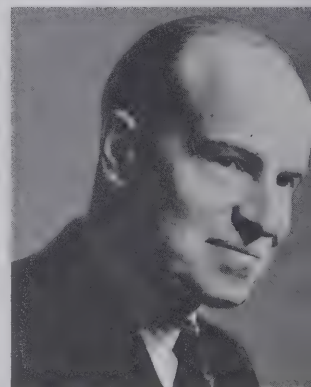
*Member—Executive Committee.



R. G. IVEY, Q.C.
Senior Partner
Ivey, Livermore & Dowler;
Chairman,
The Northern Life Assurance Co.
of Canada;
President,
Hygrade Containers Ltd.;
Vice-President & Director,
Bank of Montreal,
London



J. A. CAULDER
Formerly Chairman of the Board,
Silverwood Western Dairies Ltd.
Toronto



R. A. DALY
Chairman, R. A. Daly and Co. L.
Toronto



L. R. GRAY*
Secretary-Treasurer
London



R. G. PEAT
Director—Sales
and Public Relations
London



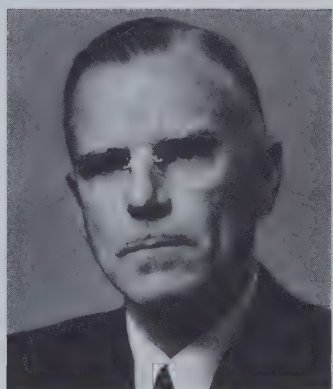
T. L. DAVIES
General Manager
Dupont Branch
Toronto



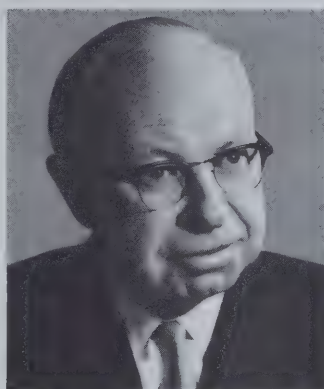
N. E. KAYE*
Assistant to the
Managing Director
London



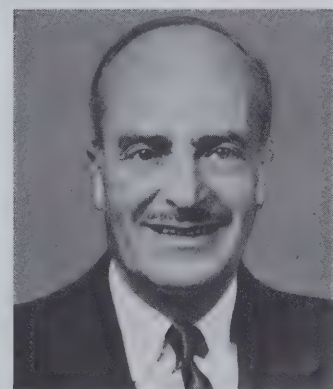
H. G. STAPELLS, Q.C.
Senior Partner,
Stapells, Sewell, Stapells,
Patterson and Rodgers
Toronto



E. B. NELLES
formerly
Managing Director
London



J. ALLYN TAYLOR
President and General Manager
Huron & Erie Mortgage Corp.
and The Canada Trust Company;
Member Executive Committee
& Director,
London Life Insurance Co.
London



E. A. PAULGER
Formerly of Paulger's
Blantyre Dairy Limited
Toronto

SOME HISTORICAL HIGHLIGHTS OF SILVERWOOD'S SIXTY YEARS

1903 A. E. Silverwood opened, at 564 Bathurst Street, London, Ontario, a small buying depot to purchase eggs and poultry for Flavells Limited of Lindsay. First employee, Jack Carruthers, hired (retired in 1945). First horse and wagon purchased.

1906 Business moved to building formerly called the Slater Malt House at Ridout and York Streets, London.

1909 Flavell-Silverwood Limited formed in London with A. E. Silverwood (Managing Director) holding half interest.

1910 Sixty feet of property on Bathurst Street purchased and plans made to erect a warehouse adjoining London Cold Storage to cost \$10,000.

J. E. Weir hired as office boy (retired 1960 as Director and Manager of Peterborough branch).

A. E. Silverwood known as "Turkey King of Western Ontario."

1911 A. E. Silverwood explained to directors why new building cost far more than planned.

Business expanding steadily.

First pound of butter manufactured.

1913 Company name changed to Silverwood's Limited as Gunn, Langlois Co. of Montreal bought out Flavell interests and acquired two-thirds of shares.

A casein plant in Watford purchased and converted to creamery.

Buying depot started in Aylmer.

Company bought, from London Cold Storage, property on Bathurst Street extending from new building to Ridout Street for \$10,000.

1914 A. E. Silverwood elected President.

The five-storey section of London Cold Storage adjoining new warehouse purchased.

Creamery built west of warehouse at cost of \$17,198.

First ice cream equipment purchased and start made in ice cream business with slogan "Smoother than Velvet."

1915 Milk Pasteurizing department opened to supply milk for armed forces stationed in London.

1916 Retail delivery of milk suggested by A. E. Silverwood but rejected by directors.

George Douglas started in produce department (retired 1961 as Windsor Branch manager).

1917 Buying depot in Thamesville purchased from Gunn, Langlois Co.

Pig farm started on outskirts of London to utilize buttermilk from creamery department.

Property on south side of Bathurst Street purchased, including two houses. One of houses altered for an office.

This eventually became the head office of the company until 1961.

1918 Gunn, Langlois' interest in firm purchased by A. E. Silverwood and London friends.

1919 J. H. Gillies employed as accountant (now President of company).

George Blake started in office (now Executive Assistant).

1922 Milk first delivered retail to London customers. Bottling department set up in basement of warehouse. Silverwood Chatham Dairy Limited organized.

1923 Separate companies set up in Lucknow and St. Catharines.

1924 E. B. Nelles employed (retired in 1960 as Managing Director).

1925 E. Gordon Silverwood joined company on graduation from university.

Silverwood Windsor Dairy Limited incorporated.

First electric ice cream cabinet replaced old ice and salt or slug variety.

1926 Evaporated milk department set up to handle surplus milk in London.

Sarnia company formed.

1927 Companies incorporated in Elmira, Kitchener, and Cargill.

1928 Silverwoods expanded to Hamilton, Cayuga, Stratford, Brantford, Guelph, Toronto and Woodstock. Silverwood's Dairies, Limited set up as a holding company to consolidate all the individual Silverwood companies in Ontario.

Cream Top bottle introduced in Toronto.

Employees' group insurance plan introduced.

1929 First rotary bottle filler installed in London.

First plate heat exchanger in any North American dairy replaced open coolers in Windsor Branch.

1930 Peterborough, North Bay and Sudbury joined Silverwood companies.

Continuous bottle washers introduced in London and Toronto and tied in by conveyor with bottle filler.

First plate type pasteurizer in Canada installed in Silverwoods, a change from the coil vats of previous years.

1931 London—first known successful homogenization of milk as problems of curdling overcome by high temperature low pressure method.

1932 A London competitor, Ontario Creamery Limited, purchased in spite of depression.

Price of milk 9¢ quart.

One competitor sold milk for a time at 5¢ quart.
New issue of Silverwood collateral trust debentures sold to public by employees of company.

1933 Ice cream instant freezing replaced old style batch freezers.

Ice cream manufacture centralized in London.

1936 Rapid development necessitated reorganization of Company.

Name changed to Silverwood Dairies, Limited.

Individual companies merged with parent company and became branches.

Addition made to London plant to handle expansion of evaporated milk department.

Punch card accounting tried out experimentally.

1937 Company stock listed on Toronto Stock Exchange.

1938 First dividend paid on new issue of preferred shares (July).

1939 Management Trust plan started for key-employees.

1940 Acme Farmers Dairy, Hamilton, purchased to provide a new home and additional business for our Hamilton branch.

1941 First dividend paid on new issue of common stock (June).

1942 New milk plant in London incorporated all stainless steel equipment.

Government refused permission for use of H.T.S.T. (High Temperature, Short Time) pasteurizers, then new to Canada.

1943 Flavell's Limited, with whom Mr. A. E. Silverwood started, purchased along with its subsidiary, Lindsay Creamery Limited.

1945 Pension plan introduced for Ontario employees. Dairy Corporation of Canada purchased through exchange of shares and renamed Silverwood Western Dairies Limited. This included Edmonton City Dairy, Edmonton; Purity Dairy, Regina and Saskatoon; and City Dairy, Winnipeg.

H.T.S.T. pasteurizing system introduced, London.

1946 Port Perry Creamery became a Silverwood branch.

Common shares converted to Class "A" and Class "B" shares.

Preferred shares given privilege of conversion.

Silverwood Employee Holdings Limited formed.

Silverwood Investors Limited incorporated.

1947 A. E. Silverwood Foundation established for charitable, educational and religious purposes.

E. G. Silverwood became President succeeding his father, A. E. Silverwood, who remained Chairman of the Board.

L. R. Gray elected Secretary.

Balance of preferred shares redeemed.

Two St. Thomas dairies purchased and combined as Silverwood St. Thomas Dairies Limited.

Caledonia Creamery became Silverwood Caledonia Creamery Limited.

Final lifting of restrictions on ice cream manufacture added greatly to production and sales in this department.

1948 In Hamilton Springbank Farm Dairy Limited purchased to provide additional volume.

Employees' magazine "Cream Topics" started publication as quarterly.

1950 Ottawa ice cream sales depot opened.

1951 Borden's Sault Ste. Marie ice cream business purchased and a Silverwood sales depot erected.

Pension plan introduced for employees of Silverwood Western Dairies Limited.

1952 Silverwood Western Dairies Limited merged with Silverwood Dairies.

1954 A. E. Silverwood received honorary LL.D. degree from University of Western Ontario.

Freedom of City of London conferred on A. E. Silverwood in recognition of his services to London.

1956 Walnut Dairy milk routes purchased, Toronto. Toronto West branch moved from Mimico to new Norseman Avenue plant, then the most modern in Canada.

1957 A. E. Silverwood Building presented to University of Western Ontario as home of Music Teachers' College.

1959 A. E. Silverwood Foundation announced programme of bursaries for children of Silverwood employees.

1960 E. G. Silverwood became first Canadian President of International Association of Ice Cream Manufacturers.

M. R. McCrea elected Managing Director succeeding E. B. Nelles who retired after 36 years of service, but continued as Director.

I.B.M. system started in Toronto Dupont milk department.

In floor conveyors, casers and stackers introduced, Toronto.

Toronto East branch moved to new building at Warden Avenue, Scarborough.

1961 A. E. Silverwood died on December 2, in his 86th year.

New London Branch and Head Office building opened.

E. G. Silverwood elected Vice-Chairman of Board.

J. H. Gillies elected President.

Paulger's Blantyre Dairy Limited, Toronto, purchased to add greatly to milk volume in east end of Toronto.

1962 Mason's Dairy Limited, St. Catharines, purchased.

E. G. Silverwood elected Chairman of Board of Directors.

L. R. Gray elected Secretary-Treasurer.

1963 New Sudbury building completed.



THE EXECUTIVE COMMITTEE

This committee, which meets weekly, deals between meetings of the Board of Directors with the principal policies, problems and decisions of the Silverwood organization. Its members are, with length of Silverwood Service in parentheses: (left to right) Norman E. Kaye (22 years) Assistant to the Managing Director; Maxwell R. McCrea (29 years) Managing Director; Leslie R. Gray (31 years) Secretary-Treasurer; J. Harold Gillies (44 years) President; E. Gordon Silverwood (38 years) Chairman of the Board; George Blake (44 years) Executive Assistant; Herbert T. Spettigue (38 years) General Production Superintendent.



BRANCH MANAGERS' SPRING CONFERENCE

In April 1963 the branch managers from across Canada met in Toronto with Head Office executives from London for a two day conference. They received results for the fiscal year just ended and discussed plans for sales and production in the year ahead. In the above picture they pause briefly in their study of ice cream packages and advertising to face the camera.

The men are: Head Table (l to r)—R. G. Peat, Director of Sales and Public Relations; E. G. Silverwood, Chairman of the Board; J. H. Gillies, President; M. R. McCrea, Managing Director; C. L. Tulloch, Ice Cream Sales Manager; H. T. Spettigue, General Production Superintendent.

Table on left (clockwise from left front)—F. W. Ford, St. Catharines; W. S. Jones, Edmonton; F. P. Higgs, Chief Accountant and Internal Auditor; A. L. Patterson, St. Thomas; E. R. Illingworth, Milk Sales Manager; A. C. Gardiner, Toronto East; N. E. Kaye, Assistant to the Managing Director; J. W. Ison, Peterborough; H. Swanson, Woodstock; G. Ferguson, Winnipeg; C. M. Hewitt, Toronto West; G. A. Day, Windsor; C. Johnson, Caledonia; F. Stevens, Hamilton.

Table on right (clockwise)—J. A. Houston, Personnel Manager; R. C. Green, North Bay; C. G. Garrison, Sarnia; W. Wharry, Lucknow; D. A. Crouch, Regina; W. E. Bromley, Kitchener; D. W. Bond, Stratford; L. R. Gray, Secretary-Treasurer; K. C. Bryson, Chatham; F. D. Saunderson, Purchasing Agent; A. C. Gray, Brantford; T. L. Davies, Toronto Dupont; K. E. Perrin, London; G. Blake, Executive Assistant; K. Carmichael, Sudbury; H. Edenborough, Elmira; A. McKessock, Lindsay.

All are Branch Managers unless other titles are given.

